Financial Transactions and Reports Analysis Centre of Canada

For the Period ending March 31, 2007

Departmental Performance Report

The Honourable James Flaherty
Minister of Finance

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SECTION I – OVERVIEW

Director's Message

I am pleased to present the Departmental Performance Report (DPR) for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for the fiscal period ending March 31, 2007. In last year's DPR, we reported a large increase in the value of transactions in our case disclosures. This year, the aggregate value of the transactions in our 193 case disclosures doubled again over the previous year, to almost ten billion dollars.

Reaching such new heights is testimony to an agency that grows stronger and more effective with every passing year and to a partnership with reporting entities, law enforcement and CSIS that is exactly what legislators originally envisaged. We are seeing further into the dark corners of criminal and terrorist financing activity and we are being sought out for financial intelligence on investigative targets. We are encouraged by the strong relationships we have built, both with our partners in the anti-money laundering and anti-terrorist activity financing regime, and with the financial entities that send reports to us.

Similarly, on the international front, partnerships continue to strengthen. New and existing financial intelligence units (FIUs) turn to us for both technical and case assistance, eager to build and improve their own organizations. In 2006-07, FINTRAC broadened its international links by signing 15 new MOU with foreign counterparts, now allowing FINTRAC to query and disclose information to a total of 45 foreign FIUs.

It was a watershed year for FINTRAC, one which saw us prepare to leap forward into new territory, with expanded responsibilities and a range of new information management and analysis tools.

This past year we were subject to Parliament's five-year review of our governing legislation. Based on this review and taking into account five years of operational experience and evolving international standards, the Government brought forward a range of legislative amendments in Bill C-25 that will make considerable improvements to further strengthen Canada's anti-money laundering and anti-terrorist financing regime. Canada is now poised to put into force an even stronger and more comprehensive regime.

We also brought to fruition an ambitious project, working with our Australian counterpart, AUSTRAC, implementing information technology upgrades to improve our data capture and analysis capability. This considerable undertaking led to information technology solutions and business process improvements that are already paying significant dividends and will continue to do so well into the future. This collaborative project with a fellow FIU is a shining example of how the world's FIUs work together to help each other, all with the common goal of fighting transnational money laundering and terrorist activity financing.

We confidently look forward to another year of helping to protect Canadians, with new tools and new responsibilities, within a strengthened regime, and as an even more effective partner in the global fight against money laundering and terrorist activity financing.

Horst Intscher
Director

Management Representation Statement

I submit for tabling in Parliament, the 2006-07 Departmental Performance Report for the Financial Transactions and Reports Analysis Centre of Canada.

This document has been prepared based on the reporting principles contained in *Guide for the Preparation of Part III of the 2007-2008 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the Centre's Strategic Outcome(s) and Program Activity Architecture that were approved by the Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada

Name: _____
Horst Intscher

Title: Director

Summary Information

Overview

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is a partner in Canada's anti-money laundering and anti-terrorist activity financing initiative. The Centre's main objective is to assist in the detection, prevention and deterrence of money laundering, the financing of terrorist activities and other threats to the security of Canada.

FINTRAC's work focuses on three key activities: the first is to receive financial transaction reports and information from other sources to produce financial intelligence on suspected cases of money laundering, terrorist activity financing and other threats to the security of Canada. The second is to ensure compliance with FINTRAC's governing legislation—the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA)—by those financial institutions and businesses covered by the Act. The third is to produce strategic financial intelligence that sheds light on the patterns and trends that characterize the evolving methods used by money laundering and terrorist activity financing networks.

Mission

FINTRAC's mission is to provide law enforcement and intelligence agencies with financial intelligence on money laundering, terrorist activity financing and other threats to the security of Canada, while protecting that personal information under its control.

Activities

FINTRAC's mandate is to provide financial intelligence that facilitates the detection, prevention and deterrence of money laundering and the financing of terrorist activities and other threats to the security of Canada.

FINTRAC's activities include:

- Receive reports on suspicious and prescribed financial transactions, and receive and collect information relevant to money laundering and terrorist activity financing;
- Receive reports on the cross-border movement of large amounts of currency or monetary instruments;
- Analyze and assess the information it receives;
- Provide domestic law enforcement with financial intelligence that it suspects would be relevant to the investigation or prosecution of money laundering and terrorist activity financing offences;
- Provide the same information to the Canada Revenue Agency (CRA) if the Centre also determines that the information is relevant to an offence of evading or attempting to evade paying federal taxes, and to the Canada Border Services Agency (CBSA) if the Centre determines that the intelligence is also relevant to an

offence of evading or attempting to evade duties or certain provisions of the *Immigration and Refugee Protection Act*;

- Provide CSIS with financial intelligence that it suspects would be relevant to threats to the security of Canada (including suspected terrorist activity financing);
- Provide financial intelligence to foreign financial intelligence units with which it has concluded a memorandum of understanding providing for the exchange of such information;
- Ensure compliance by financial institutions and other reporting entities with their obligations under the PCMLTFA and regulations;
- Ensure that personal information under its control is protected from unauthorized disclosure;
- Provide strategic intelligence, advice and analysis that enhance awareness and understanding of money laundering and terrorist activity financing, and that inform the development of effective Canadian and multilateral counter-strategies;
- Enhance public awareness and understanding of matters related to money laundering.

Benefits for Canadians

FINTRAC is an essential component of the community of organizations that combat organized crime and terrorism under Canada's anti-money laundering and anti-terrorist financing (AML/ATF) regime. The Centre's role as Canada's financial intelligence unit (FIU) is to safeguard Canada's financial system by contributing to the creation of a more hostile environment for money laundering and terrorist activity financing in Canada; by supporting the public safety and national security of Canadians; and by upholding personal privacy.

FINTRAC facilitates the investigation and prosecution of money laundering, terrorist activity financing and other threats to the security of Canada by receiving information on financial transactions, analysing it, and disclosing the resulting financial intelligence to the appropriate law enforcement agency or to the Canadian Security Intelligence Service (CSIS).

By ensuring compliance by financial institutions and other reporting entities with their obligations under the PCMLTFA, the Centre helps to create a formidable deterrent to those who would use legitimate financial channels to launder money or to finance terrorism. In Canada, banks and other financial services businesses maintain internal compliance regimes that ensure that the trail of financial transactions can be followed, and that law enforcement agencies can effectively pursue cases of suspected money laundering and terrorist activity financing.

Money laundering and terrorist activity financing are transnational in nature, necessitating the participation of all countries for their successful detection and deterrence. FINTRAC's work with international bodies such as the Financial Action Task Force (FATF) and the Egmont Group makes a strong contribution on Canada's behalf, toward developing and adopting new international anti-money laundering and anti-terrorist activity financing standards. The operational links the Centre has forged with other FIUs throughout the world are a vital part of Canada's contribution to the international fight against terrorism, money laundering and transnational organized crime.

Departmental Priorities

		2006-07 ($ millions)	
Status on Performance		**Planned Spending**	**Actual Spending** [1]
Strategic Outcome: Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.			
Alignment to Government of Canada Outcomes: FINTRAC's role as Canada's financial intelligence unit (FIU) is to safeguard Canada's financial system by contributing to the creation of a more hostile environment for money laundering and terrorist activity financing in Canada. The Centre's strategic outcome and activities support the following Government of Canada outcomes: • A fair and secure marketplace; • Safe and secure communities; • A safe and secure world through international cooperation.			
Program Activity: Collection, Analysis and Dissemination of Financial Information* Technology-driven financial intelligence analysis and case disclosures that are widely accepted by law enforcement and intelligence agencies with a program that fosters compliance by the reporting entities.			
Deliver timely and high quality financial intelligence to law enforcement and national security agencies, and foreign financial intelligence units. Financial intelligence analysis, and case disclosures that are widely accepted and used in investigations by law enforcement, CSIS and foreign financial intelligence units.	**Successfully met expectations** – FINTRAC's case disclosures were unprecedented in the total value they represented and in the complexity of networks revealed. The Centre's financial intelligence made a relevant and meaningful contribution to the fight against money laundering and terrorist activity financing.	30.4	24.1
Ensure compliance with the PCMLTFA. Increased compliance with the law by reporting entities through more robust detection and deterrence of non-compliance. This will be accomplished through a risk-based compliance program comprised of awareness activities, the monitoring	**Successfully met expectations** – FINTRAC continued to build and refine its national compliance program, and made progress on a substantial number of initiatives. An increased number of compliance examinations were conducted in all reporting	14.5	11.5

[1] The variance between the planned and actual spending relates to deferral of spending for new initiatives under Bill C-25. Bill C-25 received Royal Assent in December 2006.

of data quality, compliance questionnaires, examinations, and by taking appropriate remedial action when non-compliance is detected.	sectors. FINTRAC's compliance team also conducted a substantial number of presentations, meetings and seminars for reporting entities, industry associations, regulators and law enforcement agencies.		
Disseminate strategic information on money laundering and terrorist activity financing to partners, stakeholders, and the general public. Provide strategic intelligence, advice and analysis that enhance awareness and understanding of money laundering and terrorist activity financing and inform the development of effective Canadian and multilateral counter-strategies.	**Successfully met expectations** – Through macro-analysis of its case disclosures and the sharing of strategic information, FINTRAC supported the work of policy-makers, domestic partners in law enforcement and national security and the financial community. FINTRAC also supported Canada's commitments on the international front, with partners such as the Egmont Group and the FATF, strengthening relationships important in the global effort to fight money laundering and terrorist activity financing.	4.8	3.8

* Resource figures for FINTRAC's program activity Collection, Analysis and Dissemination of Financial Information include all associated corporate support costs.

Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending*
49.7	40.3	39.4

*The variance between the planned and actual spending relates to deferral of spending for new initiatives under Bill C-25. Bill C-25 received Royal Assent in December 2006.

Human Resources

Planned	Actual	Difference
265.4	222	43.4

The Year in Review

FINTRAC made 193 case disclosures of financial intelligence to law enforcement agencies, to CSIS and to counterpart foreign financial intelligence units. The total value of the disclosed transactions reached just over $9.8 billion, nearly doubling last year's results. Again this year, the increasingly complex cases that were disclosed pinpointed new suspects and financial transactions, and triggered new investigations or provided significant input to ongoing investigations or prosecutions.

During 2006-07, FINTRAC worked extensively with its partners on the successful Parliamentary review of the PCMLTFA. FINTRAC assisted in the development of the legislative amendments contained in Bill C-25, which Parliament adopted in December, 2006. The amendments extend the coverage of the PCMLTFA to new entities and professions, fortify the deterrence provisions of the Act and expand the range of information that FINTRAC may disclose to law enforcement and intelligence agencies. These changes strengthen Canada's AML/ATF regime and respond to findings made by the Auditor General in her evaluation of the regime. They also help make Canada even more compliant with the new international standards of the Financial Action Task Force (FATF).

The Centre continued to strengthen its national compliance program through a wide range of initiatives. Outreach activities, including presentations and seminars, have been and continue to be important vehicles for raising awareness among reporting entities. FINTRAC, together with the national and provincial regulators, conducted an increased number of compliance examinations across all reporting sectors. In addition, the Centre signed two additional compliance information-sharing agreements with national and provincial regulators, bringing the total to 17. FINTRAC also developed an integrated system to guide and monitor its risk assessment program and initiated a review of its risk assessment model in order to ensure its effectiveness.

Internationally, FINTRAC has demonstrated its strong commitment to sustaining and broadening the cooperative ties that are so important in the global effort to fight money laundering and terrorist activity financing. This has helped establish Canada as a major player in global crime-fighting efforts, and this position has been reinforced by the Egmont Group's decision to establish its permanent Secretariat in Toronto.

FINTRAC's international role underlines its commitment to creating and maintaining a powerful and knowledgeable global network to fight money laundering and terrorist activity financing. In 2006-07, the Centre signed 15 more memoranda of understanding (MOU) with foreign FIUs, bringing the total number as of March 31, 2007 to 45.

FINTRAC continued to strengthen it strategic intelligence capacity in support of its tactical intelligence and compliance programs. In addition to sharing strategic intelligence with domestic and international partners, FINTRAC's Macro-Analysis and Research unit produced new feedback products aimed at reporting entities and introduced automated solutions to assist in the production of operational statistics and management information.

In addition, FINTRAC and other domestic partners worked closely with the FATF on its comprehensive evaluation of Canada's compliance with international standards to counter money laundering and terrorist activity financing.

FINTRAC made considerable upgrades to its information systems. A landmark achievement was the completion, in collaboration with Australia's financial intelligence unit, AUSTRAC, of an initiative known as Base Mining Technology (BMT). This new technology enables FINTRAC to greatly improve on the timeliness and quality of the data it receives from reporting entities and other sectors with reporting obligations. The degree of international interest that this work has sparked has been very encouraging: since September 2006, FINTRAC has received eight visits from international colleagues, including a World Bank delegation with representatives from 11 jurisdictions, and a review of some aspects of the BMT project was part of every visit.

Every year, FINTRAC produces an Annual Report that provides additional details about the Centre's activities and achievements in carrying out its mandate to detect, prevent and deter money laundering and terrorist activity financing. The Annual Report can be accessed at www.fintrac.gc.ca.

Key Results for 2006-07 by Priority

In FINTRAC's 2006-07 Report on Plans and Priorities (RPP), the Centre outlined the results it hoped to achieve for its program activity, Collection, Analysis and Dissemination of Financial Information, according to its three main priorities. For consistency, this performance report reproduces the three priorities and describes the key results achieved below.

1. Deliver timely and high-quality financial intelligence to law enforcement and national security agencies, and foreign financial intelligence units.

Anticipated Result:
Financial intelligence analysis, and case disclosures that are widely accepted and used in investigations by law enforcement, CSIS and foreign financial intelligence units.

The production and disclosure of timely and relevant financial intelligence is central to the achievement of the Centre's strategic outcome. It is of the utmost importance that tactical intelligence produced by the Centre enhances the capacity of law enforcement, CSIS and foreign financial intelligence units to detect and deter money laundering, terrorist activity financing and other threats to the security of Canada.

The feedback received from law enforcement and national security agencies provides a clear indication of the impact of the Centre's financial intelligence. It shows not only that the disclosures feed into investigations and prosecutions that are already underway, but also that, in an increasing number of instances, they identify completely new cases of suspected money laundering or terrorist activity financing. Of significance, as well, is the fact that close to half of all FINTRAC's disclosures provided its partners with names of individuals previously unknown to them.

FINTRAC was able to produce case disclosures of higher dollar value and broader scope than in previous years. In 2006-07, the Centre made 193 case disclosures, of which 152 were for suspected money laundering, 33 were for suspected terrorist activity financing and/or other threats to the security of Canada, and eight involved both suspected money laundering and suspected terrorist activity financing and/or threats to the security of Canada. The total dollar value of FINTRAC's case disclosures was $9.8 billion, nearly double the transaction value reached in 2005-06.

The total value of the transactions included in disclosures of suspected terrorist activity financing and other threats to the security of Canada was approximately $200 million.

The increasingly complex and detailed picture of suspect money movements that FINTRAC case disclosures provided to investigators is demonstrated by the increase in the number of transactions, the number of reporting entities represented, and the total dollar value of the suspect transactions involved in each disclosure. For example, there were eight

case disclosures that gave rise to suspicions of money laundering, with a combined value of $1.6 billion.

Money launderers spread their transactions over several and often widely dispersed locations to try to conceal their activities. This is reflected in the growing number of case disclosures involving multiple reporting entities. The percentage of case disclosures involving six or more reporting entities has risen steeply over the past four years. This year, 60 per cent of FINTRAC's disclosures were based on reports from more than six entities.

On average, each case disclosure made in 2006-07 involved a total of 458 transactions valued at $51 million. Last year, the average was 261 transactions valued at close to $30 million, and in 2004-05, $14.4 million. Of note this year is that 16 cases each involved transactions totalling over $100 million. Of those 16 cases, two involved transactions valued at between $500 million and $1 billion and three had a value of more than $1 billion.

FINTRAC's partners have played a significant role as well. Canadian financial institutions and other financial intermediaries are becoming more effective in detecting suspicious transactions. The number of suspicious transaction reports (STRs) received by FINTRAC has increased dramatically from 29,367 in 2005-06 to this year's total of 39,036.

In 2006-07 FINTRAC also made 35 case disclosures to 14 foreign FIUs with which it has a MOU. In instances where information was disclosed in response to a query from one of its international counterparts, FINTRAC also sought their permission to disclose this information to relevant partners.

2. Ensure compliance with the PCMLTFA.

Anticipated Result:
Increased compliance with the law by reporting entities through more robust detection and deterrence of non-compliance. This will be accomplished through a risk-based compliance program comprised of awareness activities, the monitoring of data quality, compliance questionnaires, examinations, and by taking appropriate remedial action when non-compliance is detected.

The quality of FINTRAC's financial intelligence is directly related to the quality and quantity of reports the Centre receives from reporting entities. As part of FINTRAC's Collection, Analysis and Dissemination of Financial Information program activity, the Centre's compliance program seeks to promote and facilitate compliance with the law by reporting entities and to detect and deter non-compliance. This not only has the effect of improving the quality and quantity of reports received by FINTRAC, it also has a strong deterrent effect, as it makes it more difficult for those who would launder money or seek to raise funds for terrorist activity to carry out their activities unnoticed and in anonymity. Compliance activities can directly assist investigations and prosecutions in addition to the deterrent effect they provide. For example, when financial institutions request

identification from clients, this information can be made available to law enforcement and to prosecutors. And, this additional scrutiny up front greatly increases deterrence.

FINTRAC is enhancing its detection and deterrence capacity as a result of the passage of Bill C-25 and related regulations. These include the creation of a registration system for money services businesses (MSBs), the establishment of an administrative monetary penalty regime, enhanced customer due diligence measures and the addition of new sectors with record-keeping and/or reporting obligations under the regime.

Over the past year, FINTRAC employed a number of tools and approaches in its efforts to inform reporting entities and to assist them in meeting their obligations. These efforts included:

- Distributing close to 104,000 pamphlets and information sheets to reporting entities and individuals in response to their questions about FINTRAC;
- Conducting more than 330 presentations, meetings and seminars with reporting entities and associations reaching over 14,000 people;
- Responding to over 3,200 call centre enquiries from reporting entities;
- Utilising FINTRAC's Web site to create and distribute a series of plainly-written and frequently updated guidelines and feedback documents to assist specific sectors and reporting entities with reporting and other obligations under the Act. This year, there were 662,738 visits to FINTRAC's Web site, a 34% increase over the previous year.

Through the use of a risk-based approach, the Centre identified sectors and individuals with a high risk of non-compliance and then focused its activities on these entities.

FINTRAC's risk assessment process ensures that the focus of its compliance resources is on those areas and reporting entities at greatest risk of non-compliance. In 2006-07, the Centre transferred its risk data into one integrated system, the FINTRAC Risk Assessment Tool, in order to guide and monitor its risk assessment program. FINTRAC also initiated a review of its risk assessment model in order to ensure its continued effectiveness.

The use of compliance questionnaires is an important key to assessing and increasing compliance. This year, the Centre sent almost 4,500 questionnaires to reporting entities in the real estate, money services businesses, life insurance and accounting sectors. The response rate to these questionnaires was 63%.

This year, FINTRAC performed 237 on-site examinations. The Centre also entered into two additional compliance information-sharing agreements, or memoranda of understanding (MOU) with national and provincial regulators, bringing the total number of MOU to 17. FINTRAC's MOU partners conducted a further 189 examinations, which helped to lessen the regulatory burden placed on reporting entities by limiting duplication of the examinations performed. The total number of examinations conducted, both by FINTRAC and its MOU partners increased by 134, or 46%, over the previous year.

Ensuring the proper interpretation of legislative requirements is essential to an effective compliance program. During the year, the Centre created and issued a new FINTRAC

Interpretation Notice (FIN), (*Large Cash Transaction and Electronic Funds Transfer Reporting Requirements: Two or More Transactions in a 24-Hour Period*), and continued to develop a national knowledge base for the use of the Centre's regional team members, who are the primary point of contact for reporting entities. FINTRAC also carried out a review of its compliance policies and procedures in order to ensure their effectiveness.

In the past year, FINTRAC completed a large-scale collaborative undertaking with Australia's financial intelligence unit, AUSTRAC, on an initiative known as Base Mining Technology (BMT). This initiative was aimed at overhauling the Centre's data capture and analysis software to improve the timeliness and quality of the data received, and to give FINTRAC's analysts better tools to uncover and analyze suspect financial activity. This international collaboration is a hallmark of how financial intelligence units worldwide have been helping each other to improve their collective efforts in common cause against money launderers.

The impact of BMT on the Centre's operations has been sweeping. It has enabled FINTRAC to streamline its business processes and create a new set of information technology foundation products and services. In particular, it has helped the Centre to improve significantly the timeliness and quality of the data received from reporting entities and other domestic partners. As a result, such data is now ready for analysis in close to real time.

3. Disseminate strategic information on money laundering and terrorist activity financing to partners, stakeholders, and the general public.

Anticipated Result:

Provide strategic intelligence, advice and analysis that enhance awareness and understanding of money laundering and terrorist activity financing and inform the development of effective Canadian and multilateral counter-strategies.

FINTRAC has a legislated mandate to enhance public awareness and understanding of matters related to money laundering, most specifically with reporting entities covered by the PCMLTFA. To raise awareness of money laundering and terrorist activity financing and help alert Canadians to the threat posed by these activities, FINTRAC undertakes a number of activities including:

- Publishing and disseminating an Annual Report to Parliament;
- Publishing articles in trade journals and newsletters;
- Publishing pamphlets and other printed material for distribution to reporting entities and their clients; and
- Operating a Web site and a call centre to provide information to reporting entities and the public.

Visits to FINTRAC's Web site increased to 662,738 this year. The Web site is particularly useful for reporting entities, providing them with valuable tools and information. The Centre made several enhancements to the site's contents, such as making a series of publications available to provide feedback to specific reporting entity sectors on transaction reports submitted to the Centre. Sanitized money laundering cases were also posted to illustrate how reported data allows FINTRAC to connect suspicious money movements, thus contributing to eventual case disclosures.

In the 2006-07 fiscal year, FINTRAC made five presentations to parliamentary committees with an account of its results and an explanation of its processes and operations, including a presentation to parliamentarians on the process by which a case is built.

In addition to sharing its most recent strategic intelligence and perspectives with law enforcement and intelligence partners, FINTRAC met requests for high-level analyses from various agencies, including CSIS's Integrated Threat Assessment Centre (ITAC) and the Criminal Intelligence Service Ontario (CISO).

FINTRAC's Macro-Analysis and Research unit contributed to the provision of feedback to several reporting sectors, notably banks, casinos, credit unions, money services businesses and foreign exchange dealers, through the development of STR feedback products. These documents characterized what makes a good STR through sample reports, and provided reasons for suspicion that appeared in our disclosures. They also presented a historical breakdown of reporting volumes.

FINTRAC continued to engage with its international counterparts in various fora aimed at promoting the development and dissemination of strategic intelligence. FINTRAC's contribution to research at the international level is bolstered by the fact that we are one of a number of FIUs worldwide that receives reports on international electronic funds transfers. The ability to analyze such reports enables FINTRAC and its counterparts to share important insights into global patterns of money laundering and terrorist financing.

In 2006-07, the Macro-Analysis and Research unit also contributed to the development of policies to meet domestic and international commitments. These included support given to the Department of Finance in preparation for the Financial Action Task Force's evaluation of Canada's anti-money laundering and anti-terrorist financing regime.

SECTION II – ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

Analysis by Program Activity

This section outlines the results achieved by FINTRAC's program activity Collection, Analysis and Dissemination of Financial Information. The program activity supports the achievement of the Centre's Priorities and Strategic Outcome.

Strategic Outcome:

Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.

Program Activity Name:

Collection, Analysis and Dissemination of Financial Information

Financial Resources ($ millions):

Planned Spending	Authorities	Actual Spending*
49.7	40.3	39.4

*The variance between the planned and actual spending relates to deferral of spending for new initiatives under Bill C-25. Bill C-25 received Royal Assent in December 2006.

Human Resources:

Planned	Actual	Difference
265.4	222	43.4

* Resource figures for FINTRAC's program activity Collection, Analysis and Dissemination of Financial Information include all associated corporate support costs.

Program Activity: **Collection, Analysis and Dissemination of Financial Information**	
Performance Measure: High quality case disclosures are produced and disseminated on a timely basis	
Performance Indicators	**Results Achieved**
Number of Case Disclosures	• 193 case disclosures • 152 were for suspected money laundering • 33 were for suspected terrorist activity financing and/or other threats to the security of Canada • 8 involved both suspected money laundering and suspected terrorist financing activity and/or threats to the security of Canada
Total dollar value of case disclosures by suspected money laundering/terrorist financing/threats to the security of Canada	The total dollar value of the transactions in FINTRAC's 193 case disclosures in 2006-07 was $9.8 billion, nearly double the transaction value reached last year.
Average dollar value of case disclosures by suspected money laundering/terrorist financing/threats to the security of Canada	On average, each FINTRAC case disclosure involved a total of 458 transactions valued at $51 million. Last year, the average was 261 transactions valued at $29.8 million, and in 2004-2005, that value was $14.4 million.
Performance Measure: High levels of compliance are attained by reporting entities in meeting their legislative obligations	
Performance Indicators	**Results Achieved**
Estimated level of compliance by reporting entities with	A total of 498 deficiencies[2] were identified through 237 examinations conducted by FINTRAC in 2006-

[2] Deficiencies are identified when legal requirements under the PCMLTFA are not met. These can relate to record-keeping, client identification, financial reporting or any elements of the compliance regime identified in section 71 of the PCMLTF Regulations.

PCMLTFA record-keeping requirements	07, illustrating that more than one deficiency can be found in an examination. In examinations where deficiencies were found, an average of 3.08 deficiencies was discovered. Of the 498 deficiencies found, 66 were in relation to record-keeping (or approximately 13% of the total deficiencies). In fiscal 2006-07, FINTRAC determined in two cases that there were sufficient grounds to make a disclosure to law enforcement. One did not involve an on-site examination; in the other, multiple deficiencies were discovered, including three deficiencies related to record-keeping requirements.
Estimated level of compliance by reporting entities with PCMLTFA client identification requirements	With respect to client identification requirements, a total of 119 deficiencies were identified during the examinations (or about 24% of the total deficiencies). In addition, a further 81 deficiencies were identified in connection to third-party determination (or about 16% of the total). In fiscal 2006-07, FINTRAC determined in two cases that there were sufficient grounds to make a disclosure to law enforcement. One did not involve an on-site examination; in the other, multiple deficiencies were discovered, including four deficiencies related to client identification requirements.
Estimated level of compliance by reporting entities with PCMLTFA financial transaction reporting requirements	With regard to reporting requirements, a total of 91 deficiencies were identified during the examination process (or about 18% of the total deficiencies).[3] In fiscal 2006-07, FINTRAC determined in two cases that there were sufficient grounds to make a disclosure to law enforcement. One did not involve on-site examination; in the other, multiple deficiencies were discovered, including two deficiencies related to reporting requirements.

[3] The vast majority of the remaining deficiencies identified during the examination process were in relation to compliance regimes (a total of 139 deficiencies or 28%).

Performance Measure:
Processes and controls are in place, and operating effectively to protect the privacy of information collected.

Performance Indicators	Results Achieved
Number of unauthorized disclosures	None.

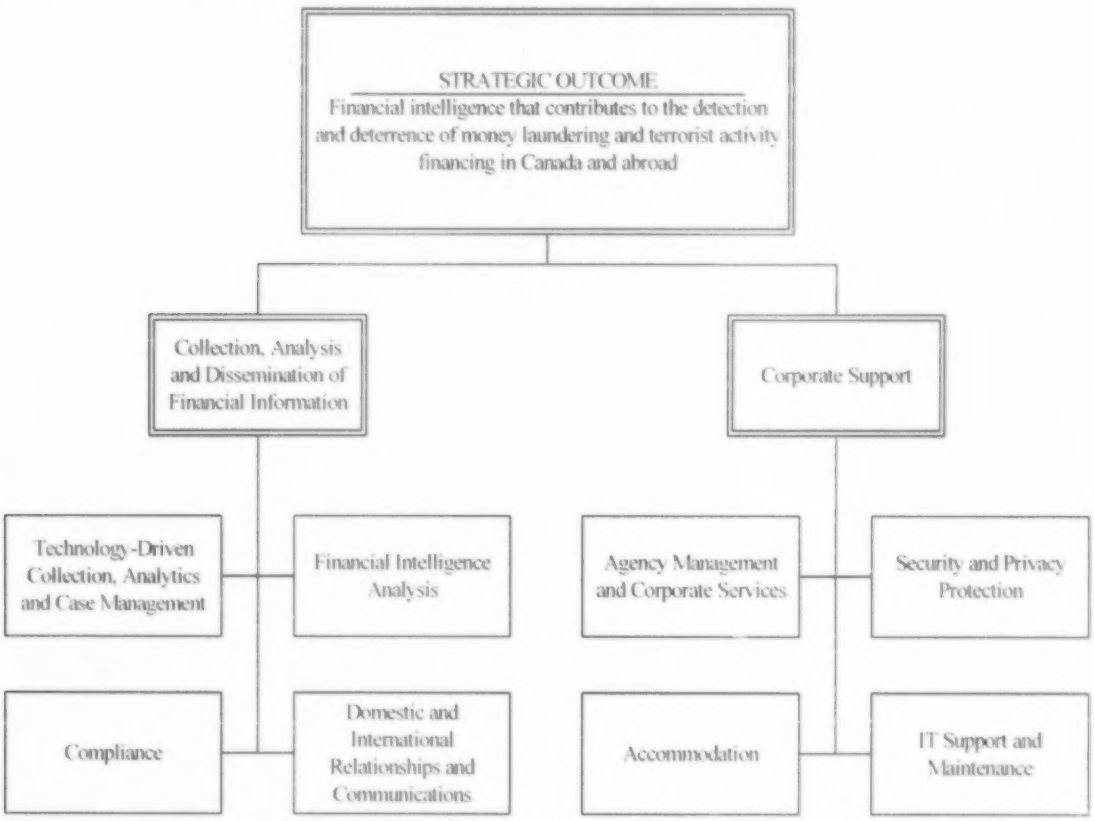
SECTION III – SUPPLEMENTARY INFORMATION

Organizational Information

FINTRAC is established as an independent agency, reporting to Parliament through the Minister of Finance, who is responsible for the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its accompanying regulations. The organization is funded through appropriations. The Centre is headquartered in Ottawa and has small regional offices in Montreal, Toronto and Vancouver.

The **Director**, appointed by the Governor-in-Council, is the Chief Executive Officer of the Centre and has all the powers of a deputy head of a department. The Centre has separate employer status. The Director is required to report to the Minister of Finance on the exercise of those powers and the performance of duties authorized under the Act.

Figure 1: FINTRAC's Current Program Activity Architecture


STRATEGIC OUTCOME
Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad
Collection, Analysis and Dissemination of Financial Information
Corporate Support
Technology-Driven Collection, Analytics and Case Management
Financial Intelligence Analysis
Agency Management and Corporate Services
Security and Privacy Protection
Compliance
Domestic and International Relationships and Communications
Accommodation
IT Support and Maintenance

The **Senior Deputy Director, Operations** has responsibility for the Financial Intelligence Analysis and Compliance sub-activities as well as defining the user requirements for technology-driven collection, analytics, and case management systems.

The Financial Intelligence Analysis sub-activity includes all of FINTRAC's tactical financial intelligence and macro-analysis functions for detecting money laundering and terrorist activity financing schemes.

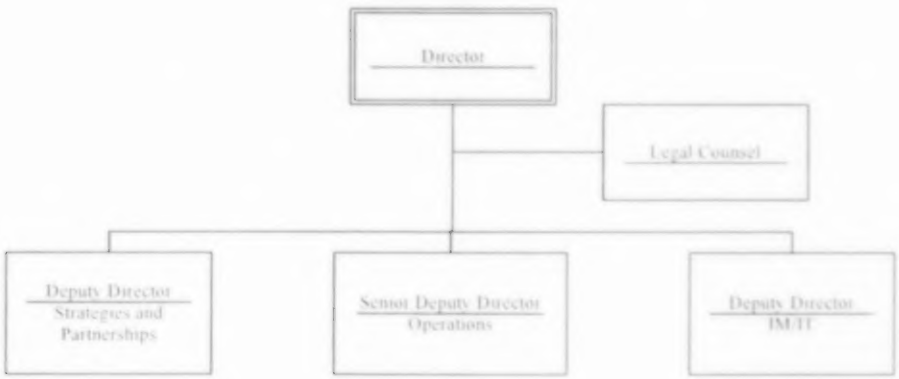
The Compliance sub-activity includes FINTRAC's regional offices and includes initiatives to implement the compliance program and undertake regional outreach to law enforcement agencies and other key partners.

The **Deputy Director, Strategies and Partnerships** is responsible for the management of FINTRAC's external relationships, both domestic and international, as well as the integration of Centre-wide goals and activities into articulated strategies and cohesive plans and policies. In addition, the Deputy Director has responsibility for corporate management functions including finance, administration, human resources, communications, and security.

The **Deputy Director, Information Management/Information Technology (IM/IT)** is responsible for the Technology-Driven Collection, Analytics and Case Management and IT Support and Maintenance sub-activities. This sector develops and applies information management and information technology methodologies that support and advance all of FINTRAC's objectives. It designs, implements, secures and supports all technology solutions to meet internal and external end-user requirements. The IM/IT sector is also in charge of FINTRAC's ATIP activities.

Legal Services are provided to the Centre by the General Counsel and three Senior Legal Counsel, who are employees of the Department of Justice.

Figure 2: FINTRAC's Organization Chart



Financial and Supplementary Information

Table 1: Comparison of Planned to Actual Spending (including FTEs)

($ millions)	2004-05 Actual	2005-06 Actual	2006-07			
			Main Estimates	Planned Spending	Total Authorities	Total Actuals*
Collection, Analysis and Dissemination of Financial Information	17.7	19.2	19.0	30.3	24.6	24.0
Corporate Support**	13.3	13.6	12.1	19.4	15.7	15.4
Total	**31.0**	**32.8**	**31.1**	**49.7**	**40.3**	**39.4**
Plus: Cost of services received without charge	1.8	1.2	1.4	1.7	1.4	1.4
Total Departmental Spending	32.8	34.0	32.5	51.4	41.7	41.2
Full-time Equivalents	183	180	180	265.4	233.4	222

* The variance between the planned and actual spending relates to deferral of spending for new initiatives under Bill C-25. Bill C-25 received Royal Assent in December 2006.

**In addition to agency management and Corporate Services, Corporate Support includes all of FINTRAC's costs for office space & facilities, legal services, and security & privacy to meet the Centre's special operational requirements and ensure the protection of personal information.

Table 2: Voted and Statutory Items

$ Millions

Vote or Statutory Item	Truncated Vote or Statutory Wording	2006-07			
		Main Estimates	Planned Spending	Total Authorities	Total Actuals *
30	Operating expenditures	28.1	46.7	37.1	36.2
(S)	Contributions to employee benefit plans	3.0	3.0	3.2	3.2
	Total	**31.1**	**49.7**	**40.3**	**39.4**

* The variance between the planned and actual spending relates to deferral of spending for new initiatives under Bill C-25. Bill C-25 received Royal Assent in December 2006.

Table 3: Services Received Without Charge

($ millions)	2006-2007
Contributions covering employers' share of employees' insurance premiums and expenditures paid by Treasury Board of Canada Secretariat (excluding revolving funds). Employer's contribution to employees' insured benefits plans and associated expenditures paid by TBS	1.4
Total 2006-07 Services received without charge	**1.4**

Table 4: Horizontal Initiatives

FINTRAC is involved in the following horizontal initiatives as a partner:

1. National Initiative to Combat Money Laundering
2. Public Security and Anti-Terrorism Initiative (PSAT)

Supplementary information on horizontal initiatives can be found at http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp.

Table 5: Financial Statements of Departments and Agencies (Including Agents of Parliament)

FINTRAC produces an Annual Report each year that includes the Centre's Financial Statements. The 2007 FINTRAC Annual Report contains the Centre's Financial Statements for the year ended March 31, 2007.

FINTRAC's 2007 Annual Report can be accessed at www.fintrac.gc.ca.

Table 6: Response to Parliamentary Committees, and Audits and Evaluations for Fiscal Year 2006-07

Response to Parliamentary Committees
The Department of Finance released a consultation paper on June 30, 2005, which outlined proposals for amendments to the PCMLTFA to ensure Canada can fulfill its domestic and international obligations in combating money laundering and terrorist activity financing, and provide the basis for the PCMLTFA Parliamentary Review. The proposals addressed issues both raised by the Auditor General, and outlined in Treasury Board mandated evaluation. It also focussed on international requirements of the Financial Action Task Force, the international standard setter. The Senate Standing Committee on Banking, Trade and Commerce released an interim report of its review of the PCMLTFA on October 3, 2006, with many recommendations reflected in Bill C-25. FINTRAC was closely involved in the process, working along side the Department of Finance on the Review and the development of Bill C-25. On October 5, 2006, Bill C-25, an Act to amend the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and the *Income Tax Act* was tabled in the House of Commons. The Bill received Royal Assent on December 14, 2006. It focused on strengthening Canada's AML/ATF regime, and incorporated many of the proposals from the consultation paper. Some of the key legislative amendments outlined in Bill C-25 include the development of a Money Services Businesses Registry; enhancing customer due diligence; including new sectors such as dealers in precious metals and stones, and lawyers in the AML/ATF regime; enhancing diligence on foreign politically exposed persons; enhancing disclosures; requiring reporting of suspicious attempted transactions; and the implementation of an Administrative Monetary Penalty regime.
Response to the Auditor General including to the Commissioner of the Environment and Sustainable Development (CESD)
FINTRAC continues to implement the recommendations of the Auditor General's November 2004 value-for-money audit of the National Initiative to Combat Money Laundering. The report made a number of recommendations to strengthen the Initiative overall and to make FINTRAC more effective. A complete list of the recommendations and the responses of FINTRAC and other initiative partners can be accessed at: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20041102ce.html

External Audits or Evaluations
The Year-Five Evaluation of the National Initiative to Combat Money Laundering and Interim Evaluation of Measures to Combat Terrorist Financing was conducted in late 2004. The final report detailing the conclusions of the evaluation may be found at: http://www.fin.gc.ca/toce/2005/nicml-incba_e.html In response, the Department of Finance released in June 2005, a consultation paper that outlined proposed changes to Canada's anti-money laundering and anti-terrorist activity financing regime. The consultation documents that outline the key measures proposed may be found at: http://www.fin.gc.ca/toce/2005/enhancing_e.html The submissions received from interested parties in response to the consultation paper may be found at: http://www.fin.gc.ca/activty/consult/regime_e.html
Internal Audits or Evaluations
There were no internal audits or evaluations conducted during 2006-2007.

Table 7: Travel Policy

Travel Policy
FINTRAC follows and uses the Treasury Board of Canada Secretariat's travel policy parameters.

Annex 1: Financial Statements

Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) Financial Statements

Unaudited

For the Year Ended March 31, 2007

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007 and all information contained in these statements rests with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) management. These financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of FINTRAC's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the FINTRAC's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout FINTRAC.

The transactions and financial statements of FINTRAC have not been audited.

Horst Intscher
Director
FINTRAC
Ottawa, Canada

Alfred Tsang
A/Senior Financial Officer
FINTRAC
Ottawa, Canada

STATEMENT OF OPERATIONS (Unaudited)
For the year ended March 31, 2007

(In dollars)	2007	2006
OPERATING EXPENSES		
Salaries and employee benefits	**$24,227,064**	$19,776,933
Repairs and maintenance	**2,989,222**	2,122,319
Accommodations	**2,795,981**	2,616,843
Professional and special services	**2,619,624**	2,106,956
Amortization of tangible capital assets	**2,297,119**	3,297,513
Machinery and equipment	**1,906,387**	360,527
Travel and relocation	**1,427,872**	1,064,808
Telecommunication services	**775,969**	735,104
Utilities, materials and supplies	**408,363**	407,998
Communication services	**310,368**	253,064
Other expenditures	**3,563**	70,916
Loss on disposal and write-down of tangible capital assets	-	326,199
NET COST OF OPERATIONS	**$39,761,532**	$33,139,180

The accompanying notes are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION (Unaudited)
At March 31, 2007

(In dollars)	**2007**	2006
ASSETS		
Financial assets		
Accounts receivable and advances (Note 4)	**$404,978**	$71,773
Non-financial assets		
Prepaid expenses	**25,925**	70,353
Tangible capital assets (Note 5)	**15,708,203**	13,381,193
	15,734,128	13,451,546
TOTAL ASSETS	**$16,139,106**	$13,523,319
LIABILITIES AND EQUITY OF CANADA		
Liabilities		
Accounts payables and accrued liabilities	**$6,402,257**	$2,890,544
Vacation pay and compensatory leave	**1,045,888**	785,579
Employee severance benefits (Note 6)	**4,690,581**	4,017,978
	12,138,726	7, 694,101
Equity of Canada	**4,000,380**	5,829,218
TOTAL LIABILITIES AND EQUITY OF CANADA	**$16,139,106**	$13,523,319

Contractual obligations (Note 7)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF EQUITY OF CANADA (Unaudited)
At March 31, 2007

(In dollars)	**2007**	2006
EQUITY OF CANADA, BEGINNING OF YEAR	**$5,829,218**	$3,941,212
Net cost of operations	**(39,761,532)**	(33,139,180)
Current year appropriations used (note 3)	**39,419,959**	32,360,449
Refund of previous year expenditures	**(107,216)**	(80,333)
Change in net position in the Consolidated Revenue Fund (note 3)	**(2,764,071)**	1,527,420
Services received without charge from other government departments (Note 8)	**1,384,022**	1,219,650
EQUITY OF CANADA, END OF YEAR	**$4,000,380**	$5,829,218

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOW (Unaudited)
For the year ended March 31, 2007

(In dollars)	**2007**	2006
OPERATING ACTIVITIES		
Net cost of operations	**$39,761,532**	$33,139,180
Non-cash items:		
Amortization of tangible capital assets (note 5)	**(2,297,119)**	(3,297,513)
Loss on disposal and write-down of tangible capital assets	**-**	(326,199)
Services provided without charge by other government departments (note 8)	**(1,384,022)**	(1,219,650)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	**333,205**	(376,132)
Increase (decrease) in prepaid expenses	**(44,428)**	(19,205)
Decrease (increase) in accounts payable and accrued liabilities	**(3,511,713)**	1,488,046
Decrease (increase) in vacation pay and compensatory leave	**(260,309)**	(35,986)
Decrease (increase) in employee severance benefits	**(672,603)**	(73,412)
Cash used by operating activities	**31,924,543**	29,279,129
CAPITAL INVESTMENT ACTIVITIES		
Acquisitions of tangible capital assets (note 5)	**4,624,129**	4,528,407
FINANCING ACTIVITIES		
Net cash provided by government	**$36,548,672**	$33,807,536

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements (Unaudited)

For the year ended March 31, 2007

1. Authority and Objectives

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was established through the *Proceeds of Crime (Money Laundering) Act* in July 2000 as part of the National Initiative to Combat Money Laundering. This legislation established FINTRAC as a government agency and separate employer, named in Schedule 1.1 of the *Financial Administration Act*. Originally, the key objectives for FINTRAC were the detection and deterrence of laundering of proceeds of crime. However, with the enactment of the *Anti-terrorism Act* in December 2001, FINTRAC was given additional responsibilities and government funding to detect the financing of terrorist activities. FINTRAC fulfills its responsibilities by collecting, analyzing, assessing financial information and, where appropriate, disclosing information relevant to the investigation and prosecution of money laundering offences and the financing of terrorist activities.

FINTRAC's strategic outcome is "Financial Intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad" with one program being "Collection, Analysis and Dissemination of Financial Information".

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations

FINTRAC is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to FINTRAC do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(b) Net Cash Provided by Government

FINTRAC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by FINTRAC is deposited to the CRF and all cash disbursements made by FINTRAC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts

and all cash disbursements including transactions between departments of the Federal Government.

(c) Consolidated Revenue Fund

Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Expenses

Expenses are recorded on the accrual basis:

- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for employer's contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.
- Legal fees incurred and paid by FINTRAC to Justice Canada are recorded as operating expenses in these financial statements.

(e) Employee future benefits

i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. FINTRAC's contributions to the Plan are charged to expenses in the year incurred and represent the total FINTRAC's obligation to the Plan. Current legislation does not require the Centre to make contributions for any actuarial deficiencies of the Plan.

ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(f) Accounts receivable and advances

Accounts receivable are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(g) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(h) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of $5,000 or more are recorded at their acquisition cost. FINTRAC does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the tangible capital asset as follows:

Asset Class	Amortization Period
Machinery and equipment	5 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years
Other equipment, including furniture	3 to10 years
Leasehold improvements	Lesser of remaining lease term and 10 years
Work in progress	Once in service in accordance to asset type

(i) Measurement uncertainty

The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary appropriations

FINTRAC receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, FINTRAC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used:

(In dollars)	2007	2006
Net cost of operations	**$39,761,532**	$33,139,180
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Services provided without charge by other government departments	**(1,384,022)**	(1,219,650)
Amortization of tangible capital assets	**(2,297,119)**	(3,297,513)
Gain (loss) on disposal and write-down of tangible capital assets	**-**	(326,199)
Legal fees paid to Justice Canada	**(414,437)**	(415,506)
Refund of previous year expenditures	**107,216**	80,333
Increase in vacation pay and compensatory leave liability	**(260,309)**	(35,986)
Increase in employee severance benefits liability	**(672,603)**	(73,412)
	(4,921,274)	(5,287,933)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Acquisitions of tangible capital assets	**4,624,129**	4,528,407
Increase (Decrease) in prepaid expenses	**(44,428)**	(19,205)
Current year appropriations used	**$39,419,959**	$32,360,449

(b) Appropriations provided and used:

(In dollars)	2007	2006
Appropriations provided:		
Vote 30 – Operating expenditures	**28,110,000**	27,663,000
Vote 30a – Supplementary	**8,990,349**	-
Vote 5 – Transfer from Treasury Board	**-**	3,236,875
Vote 15 - Transfer from Treasury Board	**7,000**	-
Statutory amounts	**3,155,680**	3,082,784
Less: Lapsed appropriations - Operating	**(843,070)**	(1,622,210)
Current year appropriations used	**$39,419,959**	$32,360,449

c) Reconciliation of net cash provided by Government to current year appropriations used:

(In dollars)	2007	2006
Net cash provided by Government	**$36,548,672**	$33,807,536
Revenue not available for spending	**107,216**	80,333
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	**(333,205)**	376,132
Variation in accounts payable and accrued liabilities	**3,511,713**	(1,488,046)
Legal fees paid to Justice Canada	**(414,437)**	(415,506)
	2,764,071	(1,527,420)
Current year appropriations used	**$39,419,959**	$32,360,449

4. Accounts Receivable and Advances

(In dollars)	2007	2006
Receivables from other federal government departments and agencies	**$346,535**	$60,743
Receivables from external parties	**52,693**	5,280
Employee advances	**5,750**	5,750
	$404,978	$71,773

5. Tangible capital assets

(In dollars)	Cost			
	Opening balance	Acquisitions	Disposals and write-offs	Closing balance
Machinery and equipment	$633,102	$104,883	-	$737,985
Informatics hardware	13,500,172	3,514,709	-	17,014,881
Informatics software	9,334,173	5,779,822	-	15,113,995
Other equipment, including furniture	3,400,783	34,281	-	3,435,064
Leasehold improvements	5,714,194	106,638	-	5,820,832
Work in progress	4,916,204	(4,916,204)	-	
	$37,498,628	$4,624,129	-	$42,122,757

(In dollars)	Accumulated amortization			
	Opening balance	Amortization	Disposals and write-offs	Closing balance
Machinery and equipment	$540,718	$70,902	-	$611,620
Informatics hardware	12,453,573	353,305	-	12,806,878
Informatics software	7,665,753	1,060,482	-	8,726,235
Other equipment, including furniture	1,592,523	286,586	-	1,879,109
Leasehold improvements	1,864,868	525,844	-	2,390,712
	$24,117,435	$2,297,119	-	$26,414,554

(In dollars)	Net book value	
	2006	2007
Machinery and equipment	$92,384	$126,365
Informatics hardware	1,046,599	4,208,003
Informatics software	1,668,420	6,387,760
Other equipment, including furniture	1,808,260	1,555,955
Leasehold improvements	3,849,326	3,430,120
Work in progress	4,916,204	-
	$13,381,193	$15,708,203

Amortization expense for the year ended March 31, 2007 is $2,297,119 ($3,297,513 in 2006)

6. Employee Benefits

(a) Pension benefits:

FINTRAC's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two per cent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2006-07 expense amounts to $2,696,580 ($2,774,505 in 2005-06), which represents approximately 2.2 times (2.6 times in 2005-06) the contributions made by employees.

The department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits:

FINTRAC provides severance benefits to its employees based on eligibility, years of service and final salary as per Treasury Board policy. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, 2007 is as follows:

(In dollars)	**2007**	2006
Employee severance benefit liability, beginning of year	**$4,017,978**	$3,944,566
Expense for the year	**922,665**	412,060
Benefits paid during the year	**(250,062)**	(338,648)
Employee severance benefit liability, end of year	**$4,690,581**	$4,017,978

7. Contractual obligations

The nature of FINTRAC's activities can result in some large multi-year contracts and obligations whereby FINTRAC will be obligated to make future payments when the services are received. FINTRAC has entered into lease agreements with Public Works and Government Services Canada for office space in five locations across Canada. The minimum aggregate annual payments for future fiscal years are as follows:

(In thousands of dollars)	
2007-2008	$2,963
2008-2009	1,236
2009-2010 and thereafter	-
	$4,199

8. Related party transactions

FINTRAC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. FINTRAC enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, FINTRAC received services which were obtained without charge from other Government departments as presented below.

(a) Services provided without charge:

During the year FINTRAC received without charge from other departments the employer's contribution to the health and dental insurance plans in the amount of $1,384,022 ($1,219,650 in 2005-06). The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in FINTRAC's Statement of Operations.

(b) Payables and receivables outstanding at year-end with related parties:

(in dollars)	**2007**	2006
Accounts receivable with other government departments and agencies	**$346,535**	$60,743
Accounts payable to other government departments and agencies	**$644,828**	$175,606

9. Comparative information

Comparative figures have been reclassified to conform to current year's presentation.